30 September 2025

Vector Limited Annual Meeting of Shareholders Speaking Notes

Chair, Doug McKay

Tena koutou katoa.

Good afternoon and welcome to this meeting. My name is Doug McKay, and I am Vector's Chair.

I'd like to acknowledge Ngāti Whātua Ōrākei as mana whenua for central Auckland, where we are today.

As we have a quorum and it's 2:00pm, I will now declare open the 2025 Annual Meeting of Vector Limited shareholders.

We're starting today with ordinary business, which includes short addresses from myself and Simon and then seven resolutions. As part of these resolutions, you will also hear short addresses from the directors who are seeking re-election.

After that we'll move to general business, Q&A, and voting.

Today's meeting is a hybrid meeting, where shareholders can participate here in the room and online.

As this is a shareholder meeting, we ask that you please do not use the time for asking specific operational, or customer service, questions. Members of our customer team are available here in the room and will be happy after the meeting to help with these types of questions.

We encourage shareholder questions and will indicate question time after the presentations. We'll have microphones available for you. Once you've asked your question, please give the microphone back while we're answering your question so that others can have their turn. So that everyone can have a turn, we ask that you keep to one or two questions per person.

If you still have more questions or feedback, group chief executive Simon Mackenzie and I will be available after the meeting.

We welcome the media to our meeting today as observers, but ask that you please hold your questions until after the meeting. If you would like to talk to Simon or myself, then please make yourself known to one of our communications team, who are at the back of the room, or call our usual media phone number.

If you're online and you'd like some help, you can type your query and one of the Computershare team will assist you.

Voting today will be conducted by way of a poll.

If you’re here in the room, you can mark your voting paper at any time, and a team member from Computershare will collect the voting forms before the end of the meeting.

If you’re online, you will be able to cast your vote under the Vote tab, once I declare voting open.

I will indicate when voting will close, so that you have a final opportunity to cast your vote.

With those instructions now complete, I declare voting open.

The number of proxies and the proxies held by me as chair of the meeting or in my own name are shown on screen.

It is my intention to vote the discretionary proxies I hold in favour of the resolutions.

It's now my pleasure to introduce my fellow directors: Alastair Bell, Vaughan Busby, Dr Paul Hutchison, Dame Paula Rebstock, Bruce Turner, and Anne Urlwin. Also at the table we have Group Chief Executive Simon Mackenzie and John Rodger, Chief Legal & Assurance Officer and Company Secretary. Vector’s Chief Financial Officer, Jason Hollingworth, and external auditor Matt Diprose from KPMG are seated in the front row together with other members of Vector’s executive team.

I’m pleased to report that our financial performance for the year has been solid, as you will have seen in our results announcement in August.

Just before I get into some of the highlights, I want to comment briefly on the regulatory cycle for electricity networks, as this has a strong impact on our results and you’ll hear this come through in this presentation.

Late last financial year we entered into a new five-year regulatory cycle for electricity networks. This is where the Commerce Commission resets what revenue we can earn from the electricity distribution business. This is known as DPP4, because it’s the fourth of these cycles, and DPP stands for ‘default price-quality path’. DPP4 started on 1 April 2025, so has been in effect for the final quarter of these financial results. Simon will go into more detail shortly.

Now onto some numbers. For continuing operations, adjusted EBITDA has increased by 16%. Adjusted EBITDA is earnings adjusted for fair value changes, associates, third-party contributions, and significant one-off gains, losses, revenues and other expenses. The increase is a result of higher revenue, particularly in the last quarter where higher revenue from the new regulatory price path has come through. We’ve also maintained prudent financial management across the group.

Group net profit after tax for continuing operations was $154.7 million, which includes a $37 million impairment of the gas distribution business.

The impairment recognises our latest forecasts for gas network connections, where we see a decline in connections in FY26, as a result of significant market uncertainty, scarcity of gas and rising costs. Following the impairment, the carrying value of the gas distribution business is consistent with the estimated value of the regulated asset base, which is key to determining the regulated revenue.

The electricity network performed within the regulatory quality standards for the duration and frequency of outages, although we acknowledge that any power outage is frustrating for customers and we understand how important it is that homes and businesses can rely on their electricity supply. My thanks to the Vector team and field service providers who work so hard to keep the lights on for Aucklanders. This is not just after a severe weather event but every day through large scale programmes of planning and building for the future, maintaining the network we have today, and getting out to make repairs quickly and safely when something impacts network performance, such as a car hitting one of our poles.

We’ve announced an unimputed final dividend of 13 cents per share, taking the full year dividend this year to 25 cents per share. This represents an 85% payout of free cash flow, in the mid-point of the 70-100% range as stated in our policy. Shareholders should not interpret this year’s payout as being an indication that future dividends will be in the midpoint of the range.

Overall, the board is pleased to see a solid financial result, and completed transactions – including the sales of our natural gas trading business, Ongas LPG, and HRV. These completed transactions enable us to concentrate on the core strengths and demands of our regulated electricity and gas networks, while also exploring growth opportunities. These opportunities include Vector Technology Solutions, our investment in metering business Bluecurrent and other options that may emerge with the changing market, customer needs, and the scale of investment required for the economy to electrify and decarbonise. Our balance sheet is strong and as such we have the capacity to consider other growth opportunities.

I’d like to thank Simon and his executive team, and everyone else at Vector for their work throughout the year. This is Simon’s final Vector shareholder meeting, and so I’d also like to commend him for his leadership and significant contribution to the business during his time at Vector, including the past 17 years as group chief executive.

We’ve also announced that Chris Blenkiron will be joining the team as Vector’s new group chief executive in December. Chris is a highly regarded leader. We conducted an extremely thorough search process, both locally and internationally, and through this process Chris demonstrated astute insights into the energy sector and Vector’s future growth opportunities.

Now I’ll hand over to Simon.

CEO, Simon Mackenzie

Thank you Doug.

I’m pleased to share some highlights of our year, including examples of how we’re bringing our strategy to life, and some of the key issues facing Vector and the wider sector.

Doug has mentioned the DPP4 regulatory cycle that began on 1 April this year. Under DPP4 we’ve seen the Commerce Commission increase allowable revenue for transmission and distribution businesses, largely as a consequence of higher interest rates and inflation experienced within the prior DPP3 period. We’re well placed to continue our disciplined network investment approach in the DPP4 period, which is to avoid committing to high levels of capital investment in areas where there is significant uncertainty, or to cover short demand peaks when there are other, less capital intensive ways to use available network capacity and maintain network resilience.

We’re very conscious that cost of living pressures for consumers remain high. DPP4 has resulted in price increases on power bills and we recognise this is hard on all consumers. However, in real terms our electricity lines charges remain very similar to what they were more than ten years ago, and the increase under DPP4 is a function of interest rate movements. It's also important to note that the total increase has been smoothed out over a five year period. Our distribution lines charges make up around 27% of the total bill that customers receive. We’ve heard commentary in the media that it’s these lines charges that have driven higher consumer power bills this year. It is true that the Commerce Commission’s changes under DPP4 have increased bills, but at only 27% of the bill, or around 35% if you also include Transpower’s transmission costs, there is still a majority of the bill impacted by other factors such as the cost of energy. What is less well understood is that a key measure of the cost of producing new electricity - the levelised cost of energy - has stepped up significantly in the past year, and this will need to flow through to power bills eventually.

Our commitment to Auckland's growth and electrification remains strong, and the region continues to grow despite the broader economic slowdown. While we've seen a softening in the rate of new connections this year, and fewer private electric vehicles being sold, Auckland is experiencing rising demand for hyperscale data centre connections, each with significant energy requirements.

Data centre projects offer major opportunities for the region, and for New Zealand more broadly. For example, hyperscale data centres typically request around 20 Mega Volt-Amperes in the first phase of multistage developments, which is roughly equivalent to 8,000 homes. However, they are accompanied by uncertainty about the rate at which their electricity demand will grow to meet the capacity requested, since this depends on the adoption of data centre services by the data centre's clients. We know these hyperscale data centre requests will drive a need for us to invest in system growth, but we must ensure our investment is moving in step with anticipated demand. Because of the scale of some of these projects, their impacts may not be confined just to our distribution network. They may also affect electricity generation and transmission; so, careful and coordinated planning is critical, and working closely with the data centre sector and government.

Our Symphony strategy puts our customers at the centre of our decisions, and we're acutely aware of the importance of getting the balance right between affordability and prudent, efficient investment given the cost-of-living pressure many of our customers are facing. Our approach to investment I referred to earlier is one example of how we manage costs that flow onto customers. As we have talked about in previous annual meetings, our strategy looks to harness smart use of technology to smooth out consumption away from peak periods. This is part of how we ensure our electricity network is equipped for increased demand as the reliance on electricity continues to increase.

While we must prepare for the future needs of Aucklanders, our focus remains on providing a reliable, resilient, secure energy supply today, and doing this as efficiently as possible. For example, in the past year we've inspected more than 2,000km of network using drones, and we've completed 12 projects to boost resilience and future capacity in the CBD, alongside numerous other projects large and small across the entire region.

An example of our strategy to embrace strategic partnerships to help us innovate faster, realise cost efficiencies, and facilitate disciplined investment, is the launch of GridAware. GridAware is a new AI tool that is reinventing the way we inspect and maintain the electricity network. This tool was developed as part of our partnership with X (Google's innovation lab) and Tapestry, its energy moonshot, and it's the first tool to be deployed on our network from this collaboration.

GridAware helps improve our network inspection processes by using aerial imaging and data, captured by drones and helicopters, to give us highly detailed views of the condition of our overhead assets. This helps us prioritise our maintenance investment, but GridAware can also go further because, as we use it, we're training artificial intelligence to help us complete condition assessments of our network automatically. The Commerce Commission has recognised the customer benefit from this project, awarding us an Innovation Project Allowance in the final year of the prior DPP3.

With this project in place, we're also the first distribution utility in the world to integrate another Tapestry tool that vastly speeds up our ability to assess future network scenarios. This helps us run long-term network simulations that help us plan for a range of different future scenarios. This is extremely helpful to see the potential impact to the network of things like different rates of EV uptake, data centres, and rooftop solar.

We now have a short video for you to help illustrate these projects and how they come together to benefit our customers.

In 2020, we set a target to reduce scope 1 and 2 emissions, excluding electrical line losses, by 53.5% by 2030. This year we recorded a reduction of 55%, which is calculated against the businesses we have now, meaning it reflects our actual emissions reductions, not those from businesses we've sold. This means that, as at 30 June 2025, we've achieved our 2030 target. We did this by innovation in technology and processes, and successful initiatives are now embedded in our operations. One of these is shown on screen, our gas sniffer trucks that proactively identify leaks from our gas network, enabling us to fix them faster and improve safety for our customers as well as reducing the emissions associated with these leaks. We'll continue to focus on our emissions targets because we know how important it is to maintain these reductions. However, there may be some volatility in our overall emissions performance. This is especially true when factors outside our control come into play, such as severe weather that requires temporary generation to restore power, or third-party damage to our gas network.

I'll now move onto the wider energy landscape and some of the challenges we're seeing.

An important issue for us is the reform to electricity distribution connections, as announced in July by the Electricity Authority.

The key issue we were concerned about was the funding of connections, and the potential of being required to move away from our policy of the people causing the connections growth paying 100% of the growth costs, to a policy of the costs being shared across Auckland customers. The EA is continuing to engage on this, having deferred a final decision on the level of contributions that can be charged for customer connections.

There were a number of technical changes announced which will add complexity to what is already a highly complex process, especially noting that we deliver around 15,000 new connections each year, more than any other electricity network in New Zealand. We'll need to make changes to our internal processes, and we'll do so within the timeframes that have been given.

The EA has also expressed that it's expecting some of these changes to be done in a nationally aligned way. We're already participating in those processes through our member association, Electricity Networks Aotearoa, and we'll continue engaging with the EA too.

Looking to gas, there is unprecedented uncertainty around the future of natural gas in New Zealand. This is driven in the near term by significant market uncertainty, scarcity of gas and rising costs, and in the long term by lack of clarity over how gas distribution businesses will be impacted by New Zealand's 2050 net zero emissions targets.

The current regulatory settings were designed in a more stable environment, where demand for gas was growing, and we are urging the Commerce Commission to update them to recognise this uncertainty and ensure any shift away from gas protects the interests of consumers and other stakeholders.

A new draft gas Default Price Path is expected to be announced by the Commission later this year and we are participating fully in the process so the Commission understands our perspective both for investors and customers.

Key issues for us are that the Commission recognises and responds to the context this reset is occurring in: which is, the significant risk to gas revenues because of the near impossible task of forecasting gas volumes 5 years into the future, as well as the medium to long term risk that some of the gas distribution assets become stranded if the gas market scales down much earlier than is anticipated.

As for the energy sector as a whole, the Government hasn't yet released the report it commissioned to help with its review into the energy sector. We, like many others, are waiting to see its contents and the Government's response.

I'll now go over the financial guidance we provided when we announced our results.

As with the half year we will be providing guidance on adjusted EBITDA, gross capex and capital contributions.

For FY26 the range is shown on the slide.

For adjusted EBITDA, the forecast increase on FY25 is driven primarily because FY26 is the first full year of the new electricity price path, DPP4. The forecast increase in capital expenditure is linked to expected customer-driven growth, and our continued investment in the network.

Before I close my address I'd like to make a few comments, as this is my last address as Vector group chief executive.

I feel incredibly privileged to have had a career in New Zealand's energy sector, first at Mercury and then Vector. The journey has been one of change, challenge, and growth – for me professionally, as well as for the sector as whole. But there are some constants that have always set Vector apart.

Vector has never been content to simply follow the easy path, or do what others are doing. Instead, we've consistently taken the deliberate approach to develop and articulate our own view, even if it sets us apart, and we've always tried to put the customer at the centre of our thinking.

We don't just look within our own sector for answers, and nor we do just look within New Zealand. We look outside the energy industry, at where innovation and forward thinking is happening globally, to find the right skills and perspectives.

Our views aren't always welcomed, but we've always believed in articulating our position so that people know exactly where we stand, even if they may not agree. We like to challenge ourselves as well as the wider industry.

Consumer expectations have grown immensely, and that's a real challenge for the energy sector, where you can't build big things overnight. When you're facing such a complex challenge as we are with the energy transition, you can't just settle for the status quo.

Our willingness to have a view is why we've been able to partner with global leaders like Google and Amazon. They looked around the world and found it refreshing to work with a company like Vector that stands for something. These partnerships, and others before them with Palantir and Tesla, have provided our staff with invaluable experiences and relationships that are far more useful than simply sitting at home in our corner of the world thinking we have all the answers ourselves.

Being a regulated entity brings its own unique challenges. We've had the privilege of running non-regulated businesses in highly competitive markets, like gas trading, fibre, and metering. But with other parts of our business being regulated, I sometimes hear comments that this means we don't have that same competitive pressure constantly driving us. Make no mistake: everyone at Vector is committed to doing the right thing. Our teams, and our field service providers, are out there every day working for our customers. And in storms they're outside in all conditions, rallying to get the power back on as quickly and safely as they can.

Over my time with Vector, we've managed a large portfolio of assets, including some that are regulated, in competitive markets, and technology start ups. We've known when to invest, when to grow, and when to exit. In most cases, we picked the right time to exit so we could invest in growth businesses, or sometimes because the risk outlook wasn't where we wanted it to be. For example, we divested the Wellington electricity network and invested in metering. We exited gas transmission, gas processing, trading and distribution, because we saw the risk profile just wasn't where we wanted. Now, we have a more electricity-centric focus, and that's timely—because electricity is what the world needs more and more of, now and into the future.

Looking ahead, I was recently asked if there will be more energy shortages. Given the dry year risk hasn't gone away, and we're seeing more extreme weather conditions all across the country, I think it's highly likely there could be more energy shortages. In the past two years, what I call the "hope strategy" has kicked in, and then it rained. There's no clear strategy, plan, or accountability over the energy system as a whole.

Finally, I'd like to thank all our staff, Field Service Providers and Telnet, for their huge efforts every day to deliver for our customers. Thanks also to the Vector board past and present, for their support and challenge, and to all our shareholders, including Entrust, for your support of Vector over the years.

Thank you.

ENDS

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About Vector

Vector is an innovative New Zealand energy company, delivering energy and communication services to more than 630,000 residential and commercial customers across New Zealand. Vector has a leading role in creating a new energy future through its Symphony strategy which puts customers at the heart of the energy system. Vector is listed on the New Zealand Stock Exchange with ticker symbol VCT. Our majority shareholder, with voting rights of 75.1%, is Entrust. For further information, visit www.vector.co.nz.